



## MULBERRY & CO

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Our Ref: MARK/AND009

Mrs G Foster  
Andover Town Council  
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Chantry House  
36 Chantry Street  
Andover  
SP10 1LS

4 April 2023

Dear Gail

**Re: Andover Town Council**  
**Internal Audit Year Ended 31 March 2023 – Year-End Audit report**

### **Executive summary**

Following completion of our year-end internal audit on 4 April 2023 we enclose our report for your kind attention and presentation to the council. This report should be considered alongside the interim audit report issued following our interim audit on 5 January 2023. The audits were conducted in accordance with current practices and guidelines and testing was risk based. Whilst we have not tested all transactions, our samples have where appropriate covered the entire year to date.

Our report is presented in the same order as the assertions on the internal auditor report within the published AGAR. The start of each section details the nature of the assertion to be verified. Testing requirements follow those detailed in the audit plan previously sent to the council, a copy of this is available on request. The report concludes with an opinion as to whether each assertion has been met or not. Where appropriate **recommendations for action are shown in bold text and are summarised in the table at the end of the report.**

Our sample testing did not uncover any errors or misstatements that require reporting to the external auditor at this time, nor did we identify any significant weaknesses in the internal controls such that public money would be put at risk.

It is clear the council takes governance, policies and procedures seriously and I am pleased to report that overall, the systems and procedures you have in place are fit for purpose and whilst my report may contain recommendations to change these are not indicative of any significant failings, but rather are pointers to improving upon an already well-ordered system.

It is therefore our opinion that the systems and internal procedures at Andover Town Council are well established and followed.

### **Regulation**

The Accounts and Audit Regulations 2015 require smaller authorities, each financial year, to conduct a review of the effectiveness of the system of internal control and prepare an annual governance statement in accordance with proper practices in relation to accounts. In addition to this, a smaller authority is required by Regulation 5(1) of the Accounts and Audit Regulations 2015 to “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”

Internal auditing is an independent, objective assurance activity designed to improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The purpose of internal audit is to review and report to the authority on whether its systems of financial and other internal controls over its activities and operating procedures are effective.

Internal audit's function is to test and report to the authority on whether its specific system of internal control is adequate and working satisfactorily. The internal audit reports should therefore be made available to all Members to support and inform them when they considering the authority's approval of the annual governance statement.

### **Independence and competence**

Your audit was conducted by Andy Beams of Mulberry & Co, who has over 30 years' experience in the financial sector with the last 13 years specialising in local government.

Your auditor is independent from the management of the financial controls and procedures of the council and has no conflicts of interest with the audit client, nor do they provide any management or financial assistance to the client.

### **Engagement Letter**

An engagement letter was previously issued to the council covering the 2022/23 internal audit assignment. Copies of this document are available on request.

### **Planning and inherent risk assessment**

The scope and plan of works including fee structure was issued to the council under separate cover. Copies of this document are available on request. In summary, our work will address each of the internal control objectives as stated on the Annual Internal Audit Report of the AGAR. As part of the inherent risk assessment, we have concluded that:

- There have been no reported instances of breaches of regulations in the past
- The client uses an industry approved financial reporting package
- The client regularly carries out reconciliations and documents these
- There is regular reporting to council
- The management team are experienced and informed
- Records are neatly maintained and referenced
- The client is aware of current regulations and practices
- There has been no instance of high staff turnover

It is our opinion that the inherent risk of error or misstatement is low, and the controls of the council can be relied upon and as such substantive testing of individual transactions is not required. Testing to be carried out will be "walk through testing" on sample data to encompass the period of the council year under review.

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**Interim Audit - Points Carried Forward**

<b>Audit Point</b>	<b>Audit Findings</b>	<b>Council comments on actions taken since interim visit</b>
<b>FINANCIAL REGULATIONS, GOVERNANCE AND PAYMENTS</b>	It is recommended to use common email addresses because it gives a natural segregation between work and personal lives, making it clear beyond doubt in what capacity a councillor is acting. In addition to this it gives control to the council, adds a degree of professionalism and in the event of a FOI request limits access to personal computers.	Progress has been made in this area, with common email addresses set up and controlled by the council. The updated Joint Practitioner's Guide (March 2023) includes guidance on this matter under section 1.26
<b>FINANCIAL REGULATIONS, GOVERNANCE AND PAYMENTS</b>	I recommend publishing Terms of Reference for each committee separately to make it clearer for residents to see the purpose of each committee.	These are now published for every committee on the council website.
<b>FINANCIAL REGULATIONS, GOVERNANCE AND PAYMENTS</b>	I recommend increasing the number of people able to set up and approve payments to ensure there are always sufficient people able to make payments promptly.	There are now six individuals able to fulfil these functions ensuring the council has sufficient people available.
<b>RISK MANAGEMENT AND INSURANCE</b>	Based on the balances held by the council, the Fidelity Guarantee level appears insufficient, and I recommend increasing it to cover the maximum balance held during the financial year.	This has now been increased to £750,000 which appears sufficient.
<b>BANK AND CASH</b>	I was unable to see any confirmation that the reconciliation and bank statement have been signed by the chairman in accordance with the Financial Regulations.	There is now a process in place to complete this monthly, and I remind council of the importance of signing both the reconciliation statement and the bank statement.
<b>BANK AND CASH</b>	I recommend the council considers opening accounts with alternate providers to spread the risk and maximise interest rates.	The council has opened one new account and another is in progress.
<b>EXERCISE OF PUBLIC RIGHTS - INSPECTION OF ACCOUNTS</b>	The council failed to approve the AGAR within the statutory deadline of 30 June 2022. Consequently, the inspection period does not include the first ten working days of July, which is a statutory requirement under the Accounts and Audit Regulations 2015. Therefore, the requirements of this control objective were met not for 2021/22, and assertion 4 on the Annual Governance Statement must signed as 'No' by the council.	This internal control objective has failed and assertion 4 on the Annual Governance Statement must be signed 'no' as confirmed by the External Auditor's report.
<b>PUBLICATION REQUIREMENTS</b>	The publication requirements for 2021/22 have not been met.	This internal control objective has failed.

I am pleased to note that the council takes the internal audit process seriously and has made considerable progress with the issues carried forward from the interim audit.

## B. FINANCIAL REGULATIONS, GOVERNANCE AND PAYMENTS

### **Internal audit requirement**

*This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved, and VAT was appropriately accounted for.*

### **Audit findings**

*Check the publication and minuting of the prior year audited AGAR and notice of conclusion of audit.*

At the interim audit, the External Auditors report for 2021/22 has not yet been concluded, with the comments stating 'We are unable to complete our review work on the AGAR and supporting documentation as a result of correspondence received in relation to 2021/22 and/or prior years. Once we have finalised our review and completed any additional work arising from that correspondence, a final report will be provided with the certificate of completion detailing any qualifications and 'other' matters.' The council had published the interim notification on the council website at that time.

The External Auditor's final report includes the following qualifications 'Section 1, Assertion 4 has been incorrectly completed, as the smaller authority has stated that it did not make proper provision during the year 2021/22 for the exercise of public rights. The correct response however is 'yes', and this is consistent with the Internal Auditor's response to Internal Control Objective M and with the prior year external auditor report.'

*The AGAR was not accurately completed before submission for review. The smaller authority has not addressed the 'except for' matter raised by the external auditor when qualifying the prior year AGAR as the smaller authority has not restated the figures in Section 12, Boxes 4 and 6.'*

*The External Auditor also noted 'We note that the smaller authority did not comply with Regulation 15 of the Accounts and Audit Regulations 2015 as it failed to make proper provision during the year 2022/23 for the exercise of public rights, since the period for the exercise of public rights did not include the first 10 working days of July. As a result, the smaller authority must answer 'no' to Assertion 4 of the Annual Governance Statement for 2022/23 and ensure it makes proper provision of the exercise of public rights during 2023/24.'*

*Confirm all section 137 expenditure meets the guidelines and does not exceed the annual per elector limit of £8.82 per elector.*

The council has adopted the General Power of Competence (GPC) and the section 137 thresholds do not apply. The council is reminded that after each scheduled election, the council must declare its eligibility and re-adopt the GPC, recording this within the minutes of the meeting.

*Confirm that checks of the accounts are made by a councillor.*

The system noted above details internal review takes place and I am under no doubt that council properly approves expenditure.

## C. RISK MANAGEMENT AND INSURANCE

### **Internal audit requirement**

*This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.*

### **Audit findings**

We discussed assertion 8 on the AGAR and whether this had any impact on the council.

*"We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on this authority and, where appropriate, have included them in the accounting statements."*

The Clerk confirmed that they were not aware of any event having a financial impact that was not included in the accounting statements.

## D. BUDGET, PRECEPT AND RESERVES

### **Internal audit requirement**

*The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.*

### **Audit findings**

The accounting records show that the council ended the year with income reported as 100.9% of budget and expenditure reported as 94.1% of budget.

At the financial year-end, the council holds circa £380,739 in earmarked reserves (EMR), spread across a range of clearly identifiable projects including a separate EMR for Community Infrastructure Levy (CIL) receipts. I checked the purpose of these EMRs with the Clerk and am satisfied they are all for legitimate future planned projects of the council and note

The council also holds £167,580 in the general reserve.

The Joint Panel on Accountability and Governance (JPAG) Practitioner's guide states '*the generally accepted recommendation with regard to the appropriate minimum level of a smaller authority's general reserve is that this should be maintained at between three and twelve months of net revenue expenditure*' (para 5.33).

The general reserve balance is within the recommended range.

## G. PAYROLL

### **Internal audit requirement**

*Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.*

### **Audit findings**

I reviewed the total figure being included within box 4 (staff costs) on the Annual Governance and Accountability Return (AGAR) and confirmed that this includes only salary payments, HMRC payments and pension contributions.

## H. ASSETS AND INVESTMENTS

### **Internal audit requirement**

*Asset and investments registers were complete and accurate and properly maintained.*

### **Audit findings**

I confirmed the asset register total matches that included in box 9 (total fixed assets plus long term investments and assets) on the AGAR and was able to trace the changes to the previous year's total against the asset register.

The council has no borrowing nor long-term investments.

## I. BANK AND CASH

### **Internal audit requirement**

*Periodic and year-end bank account reconciliations were properly carried out.*

### **Audit findings**

I reviewed the March 2023 bank reconciliation and was able to confirm the balances to the bank statements and found no errors.

I note that the council is in the process of opening two new bank accounts to enable it to benefit fully from the £85,000 protection limit offered by the Financial Services Compensation Scheme (FSCS).

## J. YEAR END ACCOUNTS

### Internal audit requirement

*Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.*

### Audit findings

The council, at its meeting to sign off the year-end accounts, must discuss Section 1 of the AGAR (Annual Governance Statement) and record this activity in the minutes of the meeting. **COUNCIL IS REMINDED THAT THIS MUST BE A SEPARATE AGENDA ITEM PRIOR TO THE SIGNING OF SECTION 2 OF THE AGAR (ANNUAL ACCOUNTS).**

### Section 1 – Annual Governance Statement

Based on the internal audit finding I recommend using the table below as the basis for that discussion.

	Annual Governance Statement	'Yes', means that this authority	Suggested response based on evidence
1	We have put in place arrangements for effective financial management during the year, and for the preparation of the accounting statements.	<i>prepared its accounting statements in accordance with the Accounts and Audit Regulations.</i>	<b>YES</b> – accounts follow latest Accounts and Audit Regulations and practitioners guide recommendations.
2	We maintained an adequate system of internal control including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.	<i>made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.</i>	<b>YES</b> – there is regular reporting of financial transactions and accounting summaries, offering the opportunity for scrutiny.
3	We took all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and Proper Practices that could have a significant financial effect on the ability of this authority to conduct its business or manage its finances.	<i>has only done what it has the legal power to do and has complied with Proper Practices in doing so.</i>	<b>YES</b> – the Clerk advises the council in respect of its legal powers.
4	We provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations.	<i>during the year gave all persons interested the opportunity to inspect and ask questions about this authority's accounts.</i>	<b>NO</b> – the requirements and timescales for 2021/22 year-end were <b>NOT</b> followed.
5	We carried out an assessment of the risks facing this authority and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.	<i>considered and documented the financial and other risks it faces and dealt with them properly.</i>	<b>YES</b> – the council has a risk management scheme and appropriate external insurance.
6	We maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems.	<i>arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether internal controls meet the needs of this smaller authority.</i>	<b>YES</b> – the council has appointed an independent and competent internal auditor.
7	We took appropriate action on all matters raised in reports from internal and external audit.	<i>responded to matters brought to its attention by internal and external audit.</i>	<b>YES</b> – matters raised in internal and external audit reports have been addressed.
8	We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on this	<i>disclosed everything it should have about its business activity during the year including events taking place after the year end if relevant.</i>	<b>YES</b> – no matters were raised during the internal audit visits.

	authority and. Where appropriate, have included them in the accounting statements.		
9	Trust funds including charitable – In our capacity as the sole managing trustee we discharged our accountability responsibilities for the fund(s)/asset(s), including financial reporting and, if required, independent examination or audit.	<i>has met all its responsibilities where, as a body corporate, it is a sole managing trustee of a local trust or trusts.</i>	<b>N/A</b> – the council has no trusts

### Section 2 – Accounting Statements

AGAR box number		2021/22	2022/23	Internal Auditor notes
1	Balances brought forward	449,861	528,946	Agrees to 2021/22 carry forward (box 7)
2	Precept or rates and levies	349,585	361,802	Figure confirmed to central records
3	Total other receipts	46,640	28,825	Agrees to underlying records
4	Staff costs	146,666	183,631	Agrees to underlying records
5	Loan interest/capital repayments	0	0	Verified against PWLB records
6	All other payments	170,474	182,205	Agrees to underlying records
7	Balances carried forward	528,946	553,737	Casts correctly and agrees to balance sheet
8	Total value of cash and short-term investments	535,075	559,098	Agrees to bank reconciliation
9	Total fixed assets plus long-term investments and assets	5,176	30,610	Matches asset register
10	Total borrowings	0	0	Verified against PWLB records
11a	Disclosure note re Trust Funds (including charitable)	N/A	NO	No – the council is not a sole trustee
11b	Disclosure note re Trust Funds (including charitable)		N/A	N/A – the council is not a sole trustee

#### **Audit findings**

The year-end accounts have been correctly prepared on an income and expenditure basis with the box 7 and 8 reconciliation explained using the accounting records. I tested the debtors, creditors, pre-payments and accruals with the Clerk and am satisfied that these are all legitimately posted to the accounts.

The AGAR correctly casts and cross casts and last year's comparatives match the figures submitted for 2021/22.

The variance analysis has been completed to explain the variances exceeding 15% in boxes 3, 4 and 9, and in my opinion, contains sufficient narrative and quantitative information for the External Auditor.



**K. LIMITED ASSURANCE REVIEW****Internal audit requirement**

*IF the authority certified itself as exempt from a limited assurance review in 2021/22, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2021/22 AGAR tick “not covered”)*

**Audit findings**

The council did not certify itself exempt in 2021/22 due to exceeding the income and expenditure limits and this test does not apply.

**L: PUBLICATION OF INFORMATION****Internal audit requirement**

*The authority published the required information on a website/webpage up to date at the time of the internal audit in accordance with the relevant legislation*

**Audit findings**

This internal control objective has changed since last year. Where previously it related to the relevant Transparency Codes, a council with annual turnover exceeding £25,000 was recommended to follow the Local Government Transparency Code 2015, but it was not a statutory requirement.

All councils are required to follow The Accounts and Audit Regulations which include the following requirements:

**13(1)** An authority must publish (which must include publication on that authority’s website)

- (a) the Statement of Accounts together with any certificate or opinion entered by the local auditor in accordance with section 20(2) of the Act; and
- (b) the Annual Governance Statement approved in accordance with regulation 6(3)

**13(2)** Where documents are published under paragraph (1), the authority must

- (a) keep copies of those documents for purchase by any person on payment of a reasonable sum; and
- (b) ensure that those documents remain available for public access for a period of not less than five years beginning with the date on which those documents were first published in accordance with that paragraph.

I was able to confirm that pages 4 (Annual Governance Statement), 5 (Accounting Statements) and 6 (External Auditor’s Report and Certificate) of the AGAR are available for review on the council website for the last five years.

**M: EXERCISE OF PUBLIC RIGHTS - INSPECTION OF ACCOUNTS****Internal audit requirement**

*The authority has demonstrated that during summer 2022 it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations.*

**Audit findings**

Inspection – key dates	2021/22 Actual	2022/23 Proposed
Date AGAR signed by council	25 July 2022	27 April 2023
Date inspection notice issued	26 July 2022	30 April 2023
Inspection period begins	27 July 2022	5 June 2023
Inspection period ends	7 September 2022	14 July 2023
Correct length (30 working days)	Yes	Yes
Common period included (first 10 working days of July)	No	Yes

**The council failed to approve the AGAR within the statutory deadline of 30 June 2022. Consequently, the inspection period does not include the first ten working days of July, which is a statutory requirement under the Accounts and**

**Audit Regulations 2015. Therefore, the requirements of this control objective were met not for 2021/22, and assertion 4 on the Annual Governance Statement must signed as 'No' by the council.**

This opinion is supported by the comments under 'other matters' in the External Auditor's report for 2021/22 which states 'We note that the smaller authority did not comply with Regulation 15 of the Accounts and Audit Regulations 2015 as it failed to make proper provision during the year 2022/23 for the exercise of public rights, since the period for the exercise of public rights did not include the first 10 working days of July. As a result, the smaller authority must answer 'no' to Assertion 4 of the Annual Governance Statement for 2022/23 and ensure it makes proper provision of the exercise of public rights during 2023/24.'

I was able to confirm that the proposed dates for 2022/23 meet the statutory requirements.

**Achievement of control assertions at year-end audit date**

Based on the tests conducted during the year-end audit, our conclusions on the achievement of the internal control objectives are summarised in the table below and are reflected in the completion of the Annual Internal Audit Report within the AGAR.

	INTERNAL CONTROL OBJECTIVE	YES	NO	NOT COVERED
A	Appropriate accounting records have been properly kept throughout the financial year	√		
B	This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved, and VAT was appropriately accounted for	√		
C	This authority assesses the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these	√		
D	The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	√		
E	Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for	√		
F	Petty cash payments were properly supported by receipts, all petty cash expenditure was approved, and VAT appropriately accounted for			√
G	Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.	√		
H	Asset and investments registers were complete and accurate and properly maintained.	√		
I	Periodic bank account reconciliations were properly carried out during the year.	√		
J	Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.	√		
K	If the authority certified itself as exempt from a limited assurance review in 2021/22, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2020/21 AGAR tick "not covered")			√
L	The authority publishes information on a free to access website/webpage up to date at the time of the internal audit in accordance with any relevant transparency code requirements	√		
M	The authority, during the previous year (2021-22) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations (evidenced by the notice published on the website and/or authority approved minutes confirming the dates set).		√	
N	The authority has complied with the publication requirements for 2021/22 AGAR.		√	
O	Trust funds (including charitable) – The council met its responsibilities as a trustee.			√

Should you have any queries please do not hesitate to contact me.

Yours sincerely



**Andy Beams**  
**For Mulberry & Co**

**Year-End Audit - Points Carried Forward**

Audit Point	Audit Findings	Council comments
<p><b>FINANCIAL REGULATIONS, GOVERNANCE AND PAYMENTS</b></p>	<p>It is recommended to use common email addresses because it gives a natural segregation between work and personal lives, making it clear beyond doubt in what capacity a councillor is acting. In addition to this it gives control to the council, adds a degree of professionalism and in the event of a FOI request limits access to personal computers. I recommend the council follow the updated Joint Practitioner’s Guide (March 2023) guidance on this matter under section 1.26</p>	